

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. P-100, SUB 19A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Petition to Amend Rule R9-3 to Exempt Price)	ORDER EXEMPTING PRICE
Regulated Companies from its Application)	PLAN COMPANIES FROM
		RULE R9-3

BY THE COMMISSION: On February 26, 2007, AT&T North Carolina, Carolina Telephone and Telegraph Company, Central Telephone Company, Verizon South, Inc., North State Telephone Company, The Concord Telephone Company, MebTel Communications, and Windstream North Carolina, Inc. (Petitioners) filed a Petition to Amend Rule R9-3 to Exempt Price Regulated Companies from its application. Rule R9-3, which was promulgated in December 1968, is entitled "Annual Filing of Construction Plans and Objectives by Telephone Companies" and reads as follows:

On or before January 1, 1969, and on or before the same date of each subsequent year, each operating telephone company in North Carolina shall file with the Commission its construction plans and objectives together with related estimated capital expenditures for its North Carolina operations in the ensuing year. This statement shall be designed to give the Commission an overall understanding of the company's primary service objectives, its plans for major service improvements or extensions, an outline of its plans for introducing new services, new exchanges, or new service areas, its anticipated plant and customer growth, and its anticipated technological changes in rendering or extending service. The statement shall represent the company's best estimate and most current view of those construction activities required for the immediate future. The statement may be conditioned to reflect revisions based on changed conditions and demands, altered priorities, and progress on projects underway but not completed. A narrative discussion of such plans, objectives, and contingencies may be included. To the extent practicable, projects for service improvements shall be listed by exchanges for location purposes. Internal construction budgets kept in ordinary course of business which contain the same, or substantially the same, information required to be filed by this rule may be submitted in substitution, in whole or in part, of the information required to be submitted hereunder.

The Petitioners proposed to insert the words "except price regulated companies" in the first sentence after the phrase "each operating telephone company in North Carolina."

In support of the Petition, the Petitioners, among other things, cited to the competitive environment in which price regulated companies operate, the existence of quality of service standards, and the continued applicability of Rule R1-32 concerning annual reports.

On February 28, 2007, the Commission issued an Order Seeking Comments from the Public Staff and any other intervenor, by no later than April 2, 2007 and from the Petitioners in reply, by no later than April 23, 2007.

COMMENTS OF THE PUBLIC STAFF

On March 30, 2007, the Public Staff filed its comments and stated that, while it may not concur with all the views expressed in the Petition, it does agree that the current regulatory landscape for local telephone companies has changed considerably since 1968, when the Commission enacted Rule R9-3. The Public Staff noted that the Commission exercises its service quality oversight responsibilities for these companies through the application of Rule R9-8 and the many orders that have been issued during the past several years in Docket No. P-100, Sub 99. The Public Staff further commented that it believes that the filings currently made pursuant to Rule R9-3 are not beneficial in facilitating this oversight. In fact, the Public Staff stated that it has found that the R9-3 filings often do not reflect expenditures that are actually made during the period covered by the filings.

The Public Staff further commented that, while it is potentially beneficial for the Public Staff and the Commission to review the anticipated budgets of rate of return companies prior to the commitment of funds because of the rate impact those investments may have on customers of those companies, this is not the case with price plan companies. Questionable investments by price plan companies have a limited potential for adverse rate impacts on their customers.

The Public Staff concluded its comments stating that it “does not object to the revision of Rule R9-3 as proposed by the Petitioners.”

REPLY COMMENTS OF THE PETITIONERS

On April 18, 2007, the Petitioners filed Reply Comments. They observed that the Public Staff had not objected to the revision of Rule R9-3 as proposed by the Petitioners; and, accordingly, the Petitioners believed that the Commission should approve their Petition to Amend Rule R9-3 to Exempt Price Regulated Companies From its Application.

WHEREUPON, the Commission reaches the following

CONCLUSIONS

After careful consideration, the Commission concludes that good cause exists to exempt the price plan regulated companies from the reporting requirement of Commission Rule R9-3 entitled "Annual Filing of Construction Plans and Objectives by Telephone Companies as set forth in Appendix A. Accordingly, Rule R9-3 is amended by inserting the words "except price regulated companies" in the first sentence after the phrase "each operating telephone company in North Carolina".

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 14th day of May, 2007.

NORTH CAROLINA UTILITIES COMMISSION

A rectangular box containing a handwritten signature in cursive script that reads "Patricia Swenson".

Patricia Swenson, Deputy Clerk

**Rule R9-3. Annual Filing of Construction Plans
and Objectives by Telephone Companies.**

On or before January 1, 1969, and on or before the same date of each subsequent year, each operating telephone company in North Carolina, except price plan regulated companies, shall file with the Commission its construction plans and objectives together with related estimated capital expenditures for its North Carolina operations in the ensuing year. This statement shall be designed to give the Commission an overall understanding of the company's primary service objectives, its plans for major service improvements or extensions, an outline of its plans for introducing new services, new exchanges, or new service areas, its anticipated plant and customer growth, and its anticipated technological changes in rendering or extending service. The statement shall represent the company's best estimate and most current view of those construction activities required for the immediate future. The statement may be conditioned to reflect revisions based on changed conditions and demands, altered priorities, and progress on projects underway but not completed. A narrative discussion of such plans, objectives, and contingencies may be included. To the extent practicable, projects for service improvements shall be listed by exchanges for location purposes. Internal construction budgets kept in ordinary course of business which contain the same, or substantially the same, information required to be filed by this rule may be submitted in substitution, in whole or in part, of the information required to be submitted hereunder.